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ABSTRACT

The serious financial troubles facing both private and public colleges suggest that additional public resources will be required to preserve and strengthen the dual system of American higher education. It is generally acknowledged that the achievement of the national goals of access and reasonable choice for all who use and can benefit from postsecondary education will require the full utilization of the resources in both the public and private sectors. The need for a better understanding of the benefits derived from maintaining a dual system of college support and control is suggested. Several arguments for maintaining the private sector are delineated and evaluated, and questions are posed that must be answered if the private sector is to remain an integral and surviving part of American higher education. (LBH)

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Private Higher Education and Public Funding

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Louis T. Benezet

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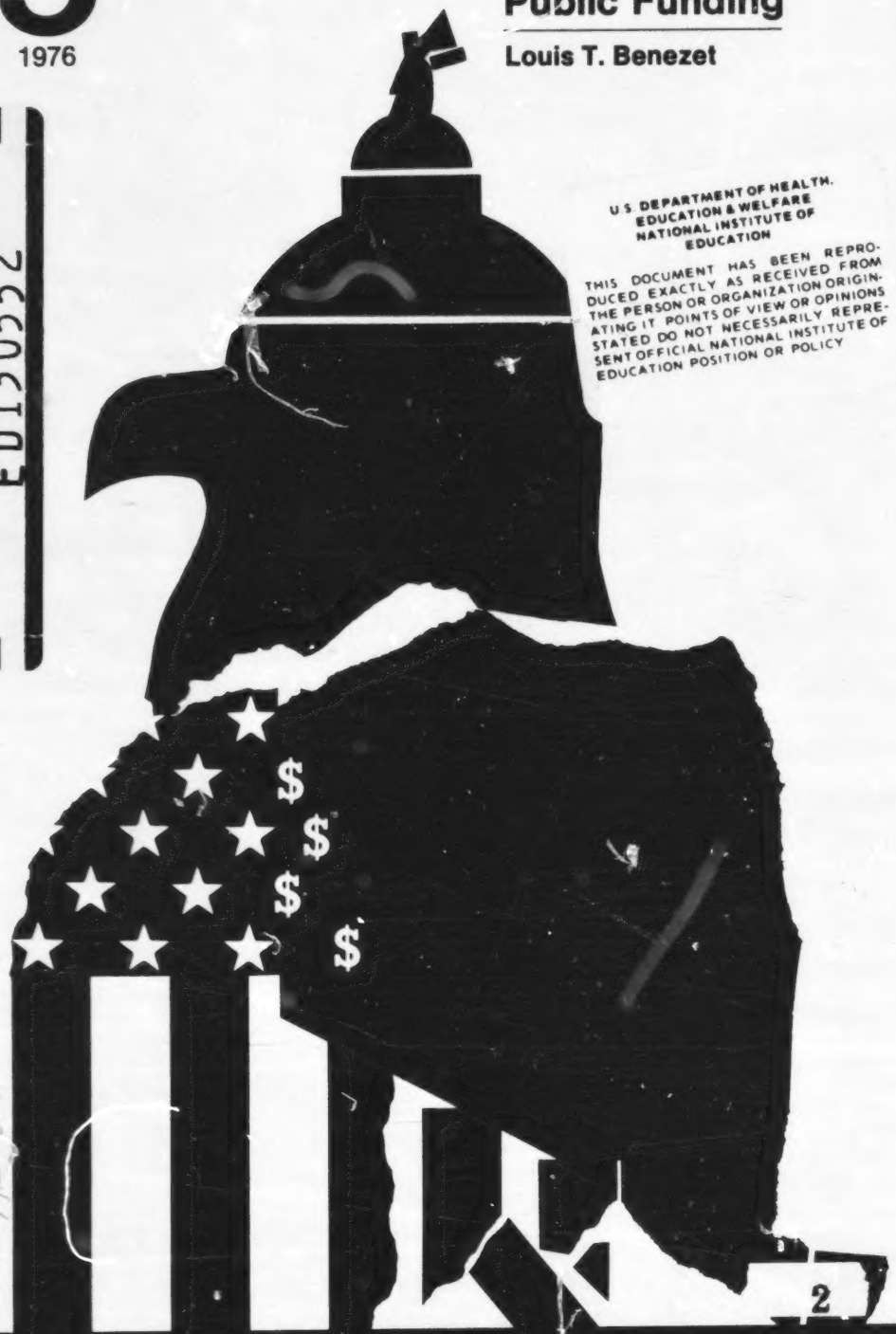

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Private Higher Education and Public Funding

Louis T. Benezet

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Foreword

Private higher education is such an integral part of American higher education that its continued good health is essential to the strength and vigor of the whole system. In recognition of this and particularly because of the serious financial troubles facing both private and public colleges, it is becoming increasingly apparent that additional public resources will be required to preserve and strengthen the dual system. It is also generally acknowledged that the achievement of the national goals of access and reasonable choice for all who use and can benefit from postsecondary education — regardless of race, color, sex or family income — will require the full utilization of the resources in both the public and private sectors. The author believes a better understanding is needed of the benefits derived from maintaining a dual system of college support and control. He delineates and expands on several arguments for maintaining the private sector and poses questions that he believes must be answered if the private sector is to remain an integral and surviving part of American higher education. Louis T. Benezet is with the Research Group for Human Development and Educational Policy, State University of New York at Stony Brook, and is former president of the State University of New York at Albany and of the Claremont Graduate School and University Center.

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Overview

Considerable faith is placed in America's dual system of public and private higher education by college and university educators. In former decades, when the numbers in colleges were relatively small and cost differences not great, the two types of institutional control co-existed in reasonable harmony. With the arrival of mass enrollments, massive capital investments, and total U.S. annual operating costs that approach $20 billion, higher education is now the object of prime policy concern, the focus being on the private and public nature of the enterprise.

Sponsors of many nonpublic higher education institutions believe the magnitude of their economic problems has become catastrophic. When top-rated private institutions reach $7000 a year from one student's tuition fees, board and room, it is time to ask what that will signify in the future for the private system. Seventy-nine percent of higher education students in the nation now enroll in public institutions. Total student charges in the public sector peak at $3000 and may be $1200 less than that. The gaping dimensions of the difference between the public and private sectors suggest the question, What does such a disparity reflect in terms of effective education? Even if the cost margin at more modest private colleges were half as great, would it reflect a contribution sufficiently in the public interest that public funds should be used to help perpetuate private higher education?

It is increasingly evident that the private sector is unable to meet the cost of educational commitments using its own resources. A few private colleges who have strong alumni or business or church sponsorship are still managing to balance their operations without public aid. The introduction of managerial systems, an increasing phenomenon in higher education, has achieved better resource allocation and use. But productivity is hard to translate into a labor-intensive industry, especially one with an interest in putting as much into the process as possible to maximize outcomes in the individual human product. Philanthropic support to private colleges from all sources except foundations continues to rise in the aggregate, but it has fallen behind relative to the cost of education and other dollar indices as well as to specific causes, such as health. The twenty-eight-year-old movement of united private college appeals to business corporations

with n individual states brings primarily token response. On the other hand, individual private institutions, often the strongest ones, have attracted considerable corporate aid from time to time.

Some of the wealthiest colleges have been able to attract enough increased giving from their clienteles to make a significant difference in their well being. At the same time these institutions exceed all others in annual increases in tuition, fees, board and room. One result is a heavy institutional burden of unfunded aid for low-income students. In the highest-priced institutions, full-paying students are progressively supporting those aided from college funds, while the middle-class students find they can attend only by family sacrifice if at all.

Intensive study of the problems as addressed both in Washington and in the states shows a 20-year progression in pubic response that favors aid to help preserve the private college and university. Federal and state aid programs have been based on the evidence from numerous national studies that underscored the need for additional subsidies beyond the resources of most private institutions. A preponderance of legislative aid programs have been in the form of student grants to help defray private tuition costs within the state, thus assuring them "free choice without penalty." These tuition "equalization" grants are typically supplemented by other student aid programs as well as by various state benefits to the colleges, such as bonding authority for new residence halls, access to state purchasing, and exemption from *ad valorem* and other taxes. Direct aid grants to colleges are rare and are concentrated in a half-dozen states with strong nonpublic college traditions and influence. Other funds to private institutions are paid as "contracts" for their acceptance of additional in-state students or for vital professional services, such as medical and dental schools. Thus far the total amount of public aid has helped many small private colleges to keep out of dire financial straits; however, continuing escalation of educational costs, such as inflated utilities expenses, does little to attenuate the financial plight of almost all in the private sector (and indeed in the public sector as well).

Private colleges build their case for public aid on four main points: (1) private higher education is part of the American tradition of independent choice; (2) the public service rendered by private colleges is great; (3) the strength and variety of private college programs as options in education are undeniable; and (4) the private college example of autonomy and flexibility in higher educational operation is exemplary. Public institutions over the past years have

agreed generally with the validity of all four points. However, at present severe financial constraints in the public sector—leading in many places to program cuts, deletions, and retrenchments in staff—have sharpened concerns about how much state and federal governments should do to aid private colleges and universities. Higher education in general finds it harder to compete for the public dollar. Quality and range of services are thinning as costs inflate; and while demand continues high, appropriations remain constant or are reduced. Although such key agencies as the Carnegie Council on Policy Studies in Higher Education continue to recommend federal and state policies of private college aid (and aid for public colleges as well), resistance to this is growing among associations of public higher education. Is it good public policy to subsidize private higher education if this adds to its operational advantages over the state's own institutions? The calls are becoming more audible for policy studies that better define the respective roles of the two sectors and that will recommend ways to monitor state "1202" coordinating commissions and the Congress as they consider measures to deal equitably with the requirements of each sector.

One of the desirable outcomes of these pressures is an increased interest in what the inputs and outputs of the educative process are to determine what colleges contribute to the development of the individual student. More objective findings would help break us out of our rhetorical circles. We need to discover how private institutions can be optimally helped while not weakening public institutions either directly, by further loss of support, or indirectly by a public policy that uncritically aids private colleges and universities.

Private Higher Education in Trouble

On February 9, 1976, a convention of college presidents met in Washington, D.C., to vote on the formation of an organization called the National Association of Independent Colleges and Universities (NAICU). In the Nation's Capital the founding of a new association is not startling news. What makes this newsworthy is the new group split from the 61-year old Assocation of American Colleges. It thus completes a development begun eight years ago when, under AAC's aegis, a subgroup called the National Council of Independent Colleges and Universities came into being.

Unlike the Independent College Funds of America (incorporated in 1958), which comprises many of the same institutions, the NAICU will operate not in New York, the country's financial capital, but in Washington. Its avowed purpose is to seek "an effective voice for independent colleges" in the Nation's Capital (*New York Times*, February 11, 1976).

Historians fifty years hence may mark 1976 as a year either when the special phenomenon of American private higher education made its last stand or when it defined its separate rationale. Nearly every other private entity in the American economy has an office in Washington, ostensibly to protect its freedom as well as to nourish its interests. But colleges differ from profitmaking corporations. A seasoned Capitol observer, Russell Thackrey, predicts, "I have not the slightest doubt that institutions similarly supported [as profitmaking corporations are supported] will in the long run be subject to similar controls. . ." (1975). The delicate balance maintained by the private college in the U.S. was addressed by Clark Kerr, who said, "We are going to have to face the question of how to get more public money into the private institutions while preserving their independence" (1972).

Whether Thackery or Kerr is right, the nature of the current debate does not suggest optimism. What is not debated is the need for some kind of public aid beyond that resulting from the institution's own best efforts. It may be typical of the Northeast—where practitioners of public policy commingled with private enterprise have survived rather well since at least 1932—that a Task Force of the Twentieth Century Fund has urged "increased public support of

private institutions by means that preserve their independence and the diversity that serves the public interest" (1975).

What is the nature of events that have brought private higher education to plead for the public purse? Private colleges are said by some to have slumped in the late 1960's after decades in which they had been doing quite well; however, history does not support this view. A recapitulation of the record may help to recall a century of chronically anxious times for the private sector.

- In the early 1900's William Rainey Harper and Abraham Flexner concurred that small, denominational, liberal arts colleges would eventually give way to public junior colleges (Benezet 1960).
- In 1930 a special conference in Chicago followed the American Association of Colleges' (AAC) meeting to launch a nationwide campaign for a half-billion dollars to rescue small liberal arts colleges, presumably forever (Benezet 1960).
- In 1947 Volume V of the Report of the President's Commission on Higher Education stated that ". . . publicly controlled institutions will undoubetdly force many of the weaker private schools out of existence and profoundly affect the whole pattern of private institutional support." This was at the height of the G.I. boom in college attendance.
- In 1959, writing for the Ford Foundation's Fund for The Advancement of Education, Beardsley Ruml stated, "The liberal colleges (i.e., private) are squeezed between limited financial resources and the necessity of substantial increases in faculty salaries. . . . For a considerable number of these colleges the issue may be not whether they can hold their quality but whether they can survive" (p. vi).
- In June 1967 the cover story of *Time Magazine* detailed the financial strain of private institutions large and small in trying to keep up with costs precipitated by the nation's post-Sputnik drive for academic excellence. At the same time, the Twentieth Century Task Force characterized the 1960's as "years of prosperity" for higher education.

Private higher education habitually hitches its wagon to its stellar examples. For instance, an early report from the Carnegie Commission on Higher Education (1968) signaled major trouble ahead by predicting that by 1976 the "typical" major private university (Chicago, Princeton, and Vanderbilt were the models) might be faced with an operating deficit of $19.8 million in that year alone (Bowen, W. G.). Even though in the early 1970's Princeton was able to cut costs and increase giving, thereby reducing a potential annual deficit

of over $2 million to zero, this did not lower the national anxiety level that followed publication of the Carnegie report.

William Bowen's (1968) study was followed by surveys in 1970 and 1971 by Cheit, Jenny and Wynn, and Jellema, all of whom followed the trails of red ink throughout the range of private colleges. Popular theories as to cause ran the gamut from the profligacy of post-Sputnik professors and presidential "edifice" complexes to alleged massive desertions by donors because the colleges had failed to deal with radical students. It would appear that there are six main causes for the trouble besetting private higher education, the first three of which relate in one way or another to the pressures on the private sector, led by its top institutions, to excel in scholarship, along with the rising technology of education: (1) rising cost per student, especially in graduate education; (2) inability of higher education to materially improve operating efficiency or to raise productivity despite educational technology; (3) market response to the pace of tuition rises that in the past decade has changed from a trot to a gallop; (4) inability of voluntary giving to keep up with costs; (5) growing competition for program offerings and facilities with public institutions; (6) national inflation and its heavy push to fixed costs in areas such as utilities and repairs.

Some observers believe a seventh factor is the continuing drop in the private share of total enrollments. Twenty-five years ago it was on a par with public enrollments but now it stands at 21.6 percent. This is more symptomatic than causal. Whether it is a sign of trouble or a sign of financial prudence and health is not certain and may depend upon the college's degree of dependence on enrollment tuitions. For colleges like the members of the Consortium on Financing Higher Education, controlled enrollment size and an economy of scarcity make sense.[1] But for the Associated Independent Colleges of Kansas, a state program, such as grants to help students attend private institutions, can be an item in the drive for survival. State legislators who are private college graduates are susceptible to charts showing their alma maters falling behind the student market. More private college aid legislation is motivated by bad news than by good. Although it has been pointed out by Allan Ostar (AASCU 1975) and others that total private enrollments continue to rise in the United

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1 Members of the Consortium on Financing Higher Education are: Amherst, Brown, Bryn Mawr, Columbia, Cornell, Dartmouth, Duke, Harvard, Mount Holyoke, Northwestern, Princeton, Radcliffe, Smith, Stanford, Swarthmore, Trinity, University of Chicago, University of Pennsylvania, University of Rochester, Wellesley, Wesleyan, Williams, and Yale.

States, a decline at two or three colleges can cause an anxiety that becomes generalized into predictions of demise for the entire private sector.

According to Bowen and Minter, 41 private four-year institutions, 28 of them accredited, closed, merged, or "became public" between 1970 and 1975 (1975). Clearly these casualties must be seen against the number of new private colleges that according to Cstar increased the total by 116 (1219 to 1335) between 1969 and 1974.

Many observers believe that a declining percentage of enrollment may be less important than an overall increase in students going to private institutions, currently totaling 2.3 million as against less than 2 million 10 years ago. Private and public colleges shared equally in the 9.7 percent national enrollment increase in the fall of 1975. The greatest part of the recent percentage gains made by public enrollment stems from the growth of the two-year community college.

If private higher education is in trouble in the United States, the trouble results more from overcommitment than from neglect by its clientele. Of course it hurts private colleges to lose students to public competition, especially if these are good students who can afford to pay. But only the very small, insular colleges are literally threatened with closing by a large drop in student body size. Many of them are kept alive through church loyalties, which include the sacrificial labor of religiously dedicated and underpaid lay faculty. For most private colleges financial stress relates to the cost-price push of a labor-intensive industry equipped with expensive technology (the current cost of books, for example). This results in a lower percentage of students who can pay the full rate. Since the mid-1960's the influx of economically disadvantaged youth has greatly multiplied financial need margins. To fulfill its commitments to student enrollment size and range, a college may create "scholarships" beyond its endowed and contributed funds. The aid comes from the till and appears as a debit on the ledger. In some high-cost institutions the discounted totals are over $3 million annually. This points to why tuition aid grants have become priority among college presidents, now encamped about their state capitols and the Congress. As one association director expressed it, "Unfunded scholarship aid is the number one financial problem of the private colleges" (Ramsden 1976).

The widening gap between public and private college tuition has been reported by national studies over the last three decades. In 1973 the Carnegie Commission stated that in the previous year private tuition charges had averaged 4.9 times that of the public sector. The gap has widened since then, but it is the absolute dollar gap that is

most detrimental. In the current academic year in California the average tuition charge reported by 20 independent colleges is $2465 more than the average for four-year public institutions—a ratio of 7 to 1 (AICCU 1975).

The private colleges are charging these prices because their other revenues are not enough to support a full educational program and to maintain a student body of broad socioeconomic range. That is part of the social contract American colleges to varying degrees have adhered to since colonial days. It has become evident that the private sector can fulfill its social contract only by broadening its base of support. In 1944 the G.I. Bill of Rights brought the contract closer to reality. The G.I. Bill, like the NDEA of 1958, provided funds in undreamed-of amounts to institutions as well as to students, especially students in graduate fields. The Johnson administration introduced new programs for increasing college access for the economically deprived; yet, as far as aid to the institutions themselves were concerned, federal funds after the peak year of 1965-66 went into a decline. In 1972 the Amendments to the Higher Education Act of 1965 committed the nation to a policy of universal student tuition aid scaled to need.[2] An aid-to-institution Title for the benefit of "financially needy" colleges was passed but has never been funded. Thus, the late 1960's and early 1970's saw massive new enrollments, particularly among students from noncollege backgrounds, at a time when matching federal aid for colleges was declining.

Fife (1975) reports the federal government is now the largest source of student aid, totaling over $6 billion dollars in 1975, which is spread over more than seven million student awards. The effect of the federal Student Scholarship Incentive Grants (see chapter three) has led to substantial increases in state student aid programs offered on a matching basis. Why, then, are private colleges not prospering?

For the private college faced with rising unit operating costs of nearly 9 percent per year, increased enrollments add to those costs because there are no offsetting direct grants to institutions, formerly available from the various titles of the NDEA and the Higher Education Acts of the 1960's. While federal and state student aid represent important elements in the survival of small private colleges with modest capital resources, the balance of the costs still must be found to educate each extra student after his or her tuition has been funded. For this reason the push for other forms of governmental aid to directly undergird college finances remains a vital matter.

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[2] Programs of federal aid to private higher education are discussed in chapter three.

In summary, private institutions, particularly small colleges struggling with undercapitalization, see a pressing need for the kind of aid that will permit them to operate at a level spoken of in the study called *More Than Survival* (1975). The Association of American Colleges, with private foundation help, has commissioned what it hopes will become an annual update on independent college health. Prepared by Howard Bowen and John Minter, the first report, *Private Higher Education* (December 1975) provided statistics on 100 representative colleges and universities. The conclusion of *Private Higher Education* may reassure or alarm, depending on the way one chooses to read two of its conclusions:

> This study does *not* confirm the frequently asserted opinion that most private colleges and universities are essentially defunct and on their way to oblivion. Neither does it confirm the proposition, sometimes but less frequently asserted, that they are enjoying prosperity. The truth lies somewhere between these two extremes (p. 78).
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> . . . . .
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> One major issue concerning the condition of the private sector we have not adequately considered. This is the question of whether in the struggle for survival, the basic integrity of private colleges and universities is threatened. With the growing intensity of competition for students and funds, are they being forced to respond to market forces in ways that impair their distinctiveness, their academic excellence, their liberal learning, their role as a sanctuary of academic freedom, their position as standard-setters? It would be a hollow victory if the private sector were to survive and even prosper financially at the expense of giving up the characteristics that make their survival important. . . (p. 79).

Bowen and Minter confide that by "the end of the academic year 1973-74, about 27 of the 100 institutions in the sample were in serious distress" (p. 71). Since 1973-74, it should be noted, the country has experienced a 15 percent increase in inflation, and, needless to say, voluntary giving to colleges has not kept pace with rising cost.

What characterizes a college in distress somewhere short of its closing? How many positions must be deleted, how many classes closed, how many services curtailed before the college is judged to be failing? All of these things currently confront private colleges. Lewis Solmon, after surveying the responses on college planning by 220 private nonsectarian presidents, concludes that they must be incurable optimists, disinclined to look facts in the face: "If predictions about the steady state are correct, they are in for a great surprise" (1975 p. 95). Frederick Balderston (1972), studying criteria of institutional troubles, arrived at five models of stress that refer sequentially to "expanded academic aspiration," i.e., new programs, unaccompanied by adequate

provision for capital growth in order to contain built-in cost rises, Jenney and Wynn corroborate the point noted above that unfunded student aid expense is the crucial item in college deficits (Jenny and Wynn 1968).

The Report of the National Commission on the Financing of Postsecondary Education (1973) includes an extensive discussion of the causes of college financial distress and provides tables that depict persistent and widespread operating deficits from 1968 through 1972. The Commission reviewed enrollment changes, growth in program and activities, poor management factors, complex governance, and various external concerns, and concluded that institutions need more and better data about themselves. In summary, the Commission believes "financial distress [will] exist in the postsecondary education enterprise . . . [because] the lack of money and other resources [prevent] the desired degree of achievement of national postsecondary objectives." Thus far NCFPE remains unchallenged on that statement.

It is generally agreed that private higher education does indeed lack money, and it is this which prevents "the desired degree of achievement of its postsecondary objectives." Public higher education is suffering from a lack of money as well. The situation is becoming more acute for higher education as a whole, and public and private sectors are abandoning their former styles of senatorial courtesy about supporting each other's causes. Competition has never been keener or less diplomatic. If outbreaks of conflict should lead to a more searching distinction of their respective roles, the eventual gains could exceed the temporary loss in collegiality.

The present report is charged to review both the progress of and the case for public funding support of private higher education. One initial assumption has been that there is a difference between public and private colleges resulting from their distinctive origins, their original missions, and their ways of control. If the differences between the two sectors appear minimal, the private sector might save pain for itself and the counrty by closing shop or by going public, except for perhaps the 50 colleges and universities of greater repute. The predicted enrollment plateau of the 1980's would nullify the argument that the total number of private institutions are needed to meet student demand.

Still, few in the U.S. express the belief that private higher education will or should close shop. Whether that reflects partisan sentiment or whether it points to something else needs to be examined. There are several types of private higher institutions. The case for

Boston University should be considered separately from the cases for Northeastern, Wheaton, Tufts, or Worcester Polytechnic. The remaining sections of this report will follow the public support case not only for each type of private institution but for whatever it might be that is important in keeping them private. In this chapter we can agree only that many of them at present are on the verge of trouble and some quite possibly are in peril.

Why Can't They Make It on Their Own?

The medieval European university arose under both church and civil forms of control. W. H. Cowley has traced two patterns reflecting what he calls, respectively, Italian and Parisian (1967). At the University of Bologna, founded in 1088, unions of students dominated the governance until the civil government took control. At the University of Paris ecclesiastical control was in effect and originated with the Bishop himself. The University of Edinburgh early attracted the strong interest of the civil authorities, giving rise to the tradition of lay boards. Over the centuries church hegemony was exercised over the colleges of Oxford and Cambridge. When higher education came to America the Oxbridge tradition of church colleges was implanted along with a Scottish admixture of local lay leaders, both civil and private, on boards of control.

The distinction of public and private has never had operational meaning for higher education outside the U.S. In Colonial times our colleges were founded by royal charter, after which they received state charters or were incorporated under state law. Support came from wherever it could be found: pittances from the sustaining church; tiny fees from students; a rare donation from a well-to-do citizen, such as his private library; gifts, loans, lotteries, and anything the traffic would bear. The greatest gift was a grant by the legislature in recognition of a college's contribution to state development. If legislative connections remained good, the grant might be renewed in succeeding years. After universities were founded as state institutions, public grants to private colleges were still sought and obtained. Contrary to some popular belief, the Western states were not less responsive than the Eastern to private college appeals. In the early 1850's California "gave direct financial assistance to private schools and colleges on a per capita basis" (Nelson 1973, p. 4). To be sure, even then the price of aid became an issue. The great public institution at Berkeley is the direct descendant of a Presbyterian-founded college (1855) that tried to operate free from either church or state control but in 1868 gave up its site and dwindling assets to become the first unit of the University of California.

During most of the nineteenth century church-founded colleges, with varying degrees of success and failure, offered liberal education for their respective constituencies and regions. Beginning in the

1860's the importation from Germany of the university idea brought pressure for higher and longer learning, even as the industrial age added a third dimension of "breadth." The inevitable results were toward steadily increasing costs. Support from the small provincial church bodies fell steadily behind the needs. After 1900, when Carnegie announced that foundation grants could not be entertained for sectarian colleges, the change to nondenominational control spread rapidly, presaging movements since World War II to shed all forms of church control in order not to be caught by the First Amendment or by comparable laws among states barring eligibility for public financial aid.

Still, the tradition of voluntarism, which Tocqueville immortalized following his travels through Jacksonian America, has provided, at least until now, one of the two guiding principles of higher education in the United States. Populism and the land-grant college movement gave us the other.

The minimum sacrifice of the independent college has been to commit its president to a chronic state of mendicancy. In 1831, after sixteen years of founding effort, Timothy Alden of Allegheny, "without funds, teachers or prospects," sadly walked out the front door of Bentley Hall, whose architecture he had personally designed. This scene has come all too close to depicting that of his modern counterpart in any month of any year. Commission members of national studies of higher education tend to be graduates of strong colleges or universities of wide renown. Few of them have spent years striving to keep small colleges alive. Some who have are glad to forget those past years.

Yet the striving has resulted in impressive success when the accomplishments of private higher education are examined in general. But collaborative fund-raising among business firms by college presidents working in state and regional teams has done more to publicize the cause than to raise big money. In 36 states, associations of independent colleges operate to pool requests for corporation support, typically for the small, private, liberal arts college. The movement began in Indiana in 1948 led by presidents Frank Sparks of Wabash and Thomas Jones of Earlham. The Independent College Funds of America (1976) in New York City reports that from 1948 through 1975 the 36 state associations realized more than $286 million. The 1975 total was just under $24 million. Still the distribution of that sum among 554 members means that for the average institution with a budget of perhaps $3 million, the increment will scarcely pay the

salaries of three of four professors out of 80 to 100 additional faculty who are hired.

A more effective approach in college fund-raising is what the individual college can do for itself using its own constituency. In the past, wealthy individual donors or their private foundations consistently represented up to three-fourths of total returns. The total of all reported giving, for operating and capital purposes, to private four-year colleges and universities in the United States in 1973-74 (988 institutions reporting) was just over $1¼ billion (Council for Financial Aid to Education 1974). Major private universities received not quite 60 percent of the total; 394 private coeducational colleges, about one-third. Public institutions in the same year had voluntary support totalling $386 million. It is clear that many people give to higher education to help an institution they believe in regardless of its form of control because they wish to keep the private sector free from encumbrance or dependence on public funds.

Private philanthropy seen as a whole in the U.S. is of gigantic proportions. In 1974 total receipts from voluntary giving to private nonprofit organizations representing health, education, welfare, cultural, and diversely related causes were $13.6 billion. Giving to religion totaled another $11.7 billion. These figures do not include service charges and income from earlier-acquired endowments, which totaled $32 billion more.[1]

Education, however, seems less urgent a cause to most donors than their ties with health in this world and the next. Average individual giving in 1970 was apportioned as $140 to religion, $38 to health and welfare (including hospitals), $9 to education. From 1940 to 1974, health and welfare, civic, and cultural causes have risen in the proportions of giving; the proportion to religion has dropped sharply. Education, despite its enormous growth in activity and investment, has barely held its own in percentages of private philanthropy. Commenting on the general trends, the Filer Commission on Private Philanthropy and Public Needs (1975) observed, "While [private giving] has grown continuously in current dollar measurements ever since estimates of philanthropy have been compiled, it has not kept pace with the growth of the economy over the last decade and in constant, uninflated dollars it has fallen off absolutely in the last few years." Reason for the fall-off yields the usual reference to the "government takeover" of charity; however, the most frequent

[1] These and the following monetary sums are from *Giving in America: Toward a Stronger Voluntary Sector*, Commission on Private Philanthropy and Public Needs, 1975.

answer was essentially, "I don't feel I can afford to give." Yet causes of close-felt connection such at the local United Way continue to receive strong support.

Over time private colleges have learned professional techniques of fund solicitation. Any alumnus or employee of one or more institutions receive a full library of promotional literature almost every month. Every conceivable device is used, including straight emotional appeals, detailed statements of college projections, presidential reports, and highly sophisticated estate plans involving all tax-deductible benefits allowed by state and federal law.

Despite all that fund raising has brought in, the private sector of higher education still skirts the edge of chronic and growing deficits.[2]

As the Bowen-Minter report (1975) reminds us, the financial condition of private higher education is not a ready subject for general diagnosis. The health of an institution may often depend upon its location, age, type, or luck. Of these, classification by type is especially pertinent to differing conditions of financial strength.

Doctoral-granting universities, particularly major research centers with many doctoral programs, have gone heavily into service to government and industry.[3] The annual operating budget of a major research university like M.I.T. may total 75 percent or more from federal sources. Universities are a prime example of the Biblical adage that to him who hath it shall be given. The largest research-grantee universities tend to have the largest general endowments, the largest tuition charges, and the largest dimensions of annual gifts and grants. A chief problem among them is to recapture enough of the indirect costs of sponsored research to avoid draining substance from their undergraduate departments and schools.

Comprehensive universities and colleges with limited doctoral pro-

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2 Bowen and Minter (1975) report in 1973-4 a slim margin of average surplus for all types of colleges except Liberal Arts Colleges II (less selective colleges). That, however, was before the full measure of recent inflation had registered its effects. Current scattered reports from colleges are almost uniformly pessimistic.

Next to unfunded student aid (see chapter one) the fastest growing burden in the operating budget (Jellema 1973) is debt service on the physical plant. Since almost no colleges have building depreciation accounts in their budgets, no future relief can be anticipated except through periodic capital campaigns for new construction.

3 The reader is referred to the Carnegie Commission's *A Classification of Institutions of Higher Education* (October 1973), which breaks institutions into the following categories: Research Universities I and II; Doctoral Granting Institutions I and II; Comprehensive Colleges and Universities I and II; and Liberal Arts Colleges I and II.

grams and typically low endowments come the closest among private institutions to entrepreneurship as a way of life. These institutions have kept going in locations where some small, residential, liberal arts colleges have survived poorly if at all by relying heavily on professional programs and catering to large enrollments of part-time students who attend from early morning until midnight, and by tailoring their offerings to specific local markets.

Selective liberal arts colleges hold their category I usually because of relatively strong resources built up over decades. Once again strength builds upon strength. If the college holds onto its reputation for academic quality, it can succeed in three important ways: maintaining a superior and relatively large teaching faculty, including a respectable proportion of productive scholars; attracting able students from upper-middle-class homes; and conducting an agreeable residential community life that complements an undiluted liberal arts curriculum. This kind of college typifies America's oldest and best-known institutions. It is thus able to build on traditions of strength and loyalty. Another kind of selective liberal arts college is the new institution that offers an innovative program with enough vitality to attract fresh intellectual and financial support. The rather few examples around the country have helped sustain the general reputation of liberal education, even though new college ventures after a time tend either to settle down to a more conventional curriculum or to suffer internal troubles and centrifugal strains.

The less selective liberal arts colleges are the most susceptible to public college competition and, accordingly, the most anxious about enrollment declines. Building alternative revenues is difficult. Although many of these colleges have strong alumni and regional supporters, the scale of giving, like the tuition charges, typically falls behind the pace of rising expense.

A summary of recent private college and university campaigns is encouraging; virtually all made or surpassed their goals, ranging from $8.5 million to $100 million (*The Chronicle of Higher Education*, February 9, 1976). People like to give to capital drives because they can help realize tangible assets. Annual giving, on the other hand, requires a weary cycle of effort without much sex appeal. Each year's goal achieved looks small by the time next year's needs have been projected. Fifteen years ago a businessman's group proposed The Cleveland Plan to encourage corporation gifts to colleges equal to at least 1 percent of their net income before taxes. Yet the yearly national corporation average has settled at approximately 0.3 percent.

If annual giving cannot keep up with expenses, and if rises in tui-

tion, due to unfunded student aid, have reached diminishing returns in all but the few, richest schools, then some believe the remaining option is for greater management efficiency. Trustees perennially ask why colleges can't be run like a business. During the past decade the steady state of college revenues has turned such pleas into directives. The response to a business whose expense rises while its income flattens is to trim expenses and to make the income stretch further. Expense trimming by now has reached the stage of retrenchment involving dimissals of both professional and nonprofessional staff. Income stretching has been dignified by the term "resource allocation." Institutions willy-nilly are learning the arts of both. But there are limits to each. One of the mysteries of higher education is that we don't know enough about its outcomes to tell when the effects of trimming and stretching result in a poorer education. Much of the evidence remains ambiguous and inferential.

Resource reallocation in colleges is aided by better information on such items as unit cost, departmental productivity versus workload, faculty ages, salaries, and departmental projections, including volumes of other data. The National Center for Higher Education Management Systems in Boulder, Colorado, is one of the principal export houses of college management software. Since 1974 the Exxon Education Foundation has funded proposals of some 60 small colleges for experiments in new management techniques. Currently it has commissioned a study by the Higher Educational Research Institute to collate the evidence of impact of these new techniques on each campus.

Our concern here cannot be to inventory the extent, variety, and effect of college management systems but to ask as a general question whether the private colleges are able by combinations of efforts to make it on their own. When overall cost-push gives no signs of relenting while revenues are plateauing, any claims that management efficiency accomplish the remaining difference seem on the face of it improbable. In 1968 a study of economic benefits from the centrally-coordinated services of the clustered Claremont Colleges examined cost items ranging from grounds maintenance and health service to library resources (Stewart and Harvey 1975). The evidence showed that higher efficiency in quality education does not mean fewer dollars expended per unit of education or a smaller unit cost. What it does mean is the possibility of a better educational experience for the dollar. If the client can know of this, he is usually willing, if he can, to pay that dollar. In that connection, Amitai Etzioni's definitions (1964) may be useful: The actual *effectiveness* of a specific organization is

determined by the degree to which it realizes its goal. The *efficiency* of an organization is measured by the amount of resources used to produce a unit of output.

Numbers of colleges and universities in recent years may have been rescued from actual insolvency through hard management decisions and follow-through. Three of these were in greater New York: Sarah Lawrence (White 1974), New York University (Williams 1974), and another urban institution fictitiously called Wilson University (Academy for Educational Development 1971). The fact remains, however, that each one of those schools is at present the recipient of annual direct institutional aid appropriated by the legislature of the State of New York. John Sawhill, the new president of New York University, has said plainly that the Bundy Aid Program is what has enabled his university to not increase undergraduate tuition.[4]

The difference better management systems make in private college finances can help a badly overcommitted institution lighten its cargo, or clear up its priorities, or show a better face to the public. What happens to its future as an effective educational institution after management becomes more efficient involves a study of behavioral effects in a wider context.

One of the common errors is to speak of colleges in market terms as purveyors of an educational product and of their students as buyers of that product. In the truest sense the student, not the education, is the product. Variables controlling the price of the product as well as the fact that the product is also a consumer make analogies with a so-called free market both awkward and misleading (Leslie and Johnson 1974). Similarly, on the idea of measuring higher education with the calipers of cost-benefit analysis, Sir Eric Ashby, member of the Carnegie Commission on Higher Education, had this to say:

> Cost-benefit analyses can be applied to vocational education; . . . but cost-benefit analysis applied to non-vocational education is a nonsense; indeed such education is counter-productive, producing men and women who not only eschew high-income careers for themselves but even reject the commonly accepted norms of Western society such as the necessity for an ever-increasing G.N.P. (*Chronicle of Higher Education*, October 2, 1975, p. 8).

The recent report *More Than Survival*, by the Carnegie Foundation for the Advancement of Teaching (1975), summarizes management advice to colleges: ". . . analysis and strategic planning needed to at-

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[4] Personal interview with author, February 9, 1976.

tain flexibility in operations and program offerings; more sophisticated cost-cutting and management; a measure of institutional specialization; and new methods of operating in increasingly competitive markets" (p. 84). To the liberal arts colleges the report gives advice to "restate their missions and then examine the pools of students that are likely to be attracted by each mission" (p. 105). A former student recruitment officer may find this picture of applicant pools difficult to recognize. Students in the Midwest have literally dozens of small liberal arts colleges to choose from, almost as much alike as peas in a pod. Choices are made not out of separate pools of students looking for different missions; they are made very largely by personal acquaintance, local peer pressure, high school teacher and family influence, and church and regional tradition.

When all that can be hoped for from increased management techniques has been done, review of the dollar benefits realized when placed against the full force of the current macroeconomics of higher education leaves little room for hope that better management, any more than greater efforts toward annual giving, will enable private higher education to succeed on its own. We have assumed in this discussion a continuing major role for private higher education. It is, on the other hand, possible for private colleges radically to reduce their mission and to stay quietly alive.

There remain private institutions, including schools of high repute, whose constituencies are well enough identified and dedicated to enable the colleges by astute management to balance their budgets. A small group among these colleges have declined to seek or accept government subsidy, based on a policy decision by their boards. A statement from one of them reads:

> Although founded by Presbyterian ministers and laymen, Wabash from its beginning has been independent of church affiliation. It affirmed the same principle of self-sufficiency when state and federal funds were offered to private colleges. The Trustees resolved "to solve the financial problems which confront us, however great they may be, through voluntary gifts." Wabash therefore remains one of the few colleges and universities in the country that neither seek nor accept federal funds. (Wabash College, 1974, p. 2).

Position statements such as this provide a useful corrective. How prudent a reminder this is can be better decided after the facts of public aid to the private sector in the U.S. and arguments for and against have been reviewed.

Federal and State Assistance

Federal Aid Policies and Programs

American federal policy toward higher education over the decades has dutifully aimed not to let its left hand know what its right hand is doing. Despite chronic doubts and occasional lapses, the aim has been well kept. During the 1970's increasing concerns over taxation and accountability have once again raised proposals in Washington for systems of national accreditation or at least certification before funds are given to institutions. Higher education's latest answer has been to coordinate more closely its voluntary accreditation system as managed by Regional Associations which are directed by representatives of the colleges and universities. In 1975 a national umbrella agency, the Council on Postsecondary Accreditation, was founded.[1] It remains to be seen whether self-policing by the profession will be allowed to stand up against opinions voiced in the Department of Health, Education and Welfare that government procedures for protecting the taxpayer's investment in higher education are overdue (FICE, 1975).[2]

As keepers of a delicate balance, Congress has seldom made provisions avowedly favoring either the private or the public sector at the possible expense of the other.[3] A recent federal $6-million appropriation for Eisenhower College in New York after first being defeated was eventually passed but was expressly noted as a one-time item

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1 COPA, 1 Dupont Circle, Washington, D. C., Kenneth Young, President.

2 Federal Interagency Committee on Education, *Toward a Federal Strategy for Protection of the Consumer of Education*, H.E.W., July 1975: Outlines both present provisions and proposed measures for insuring "consumers of education" against program failure or fraud. Chapter three, "Role of Non-Federal Agencies," mentions the roles of the states. The Education Commission of the States in Denver is prominently mentioned. Nowhere in the chapter or in the pamphlet is there acknowledgement of the Regional Accrediting Associations of COPA, their new national coordinating agency. It is hard to understand why omission would have been made of major agencies that have been operating in the U. S. since the early years of this century. One of their basic functions has been to certify eligibility of colleges and universities to receive federal funds.

3 John D. Millet has phrased it more bluntly if not beyond challenge: ". . . as a close observer in Washington of federal government policies and programs in the field of higher education, I find practically no evidence that important decision-makers in the executive or in the legislative branch are today concerned about the future of independent higher education" (remarks at the Federation of Independence, Illinois Colleges and Universities, Springfield, Illinois, April 16, 1975).

(Sanders 1975). Periodic federal programs to stengthen higher education in the national interest may temporarily have helped one sector more than another. P.L. 550, the Korean G.I. Bill, awarded funds for college directly to the veteran rather than dividing funds between the college and the veteran, as P.L. 346 had done after World War II. Korean veterans had to take tuition money out of their own cash stipends, and thus were influenced to enroll at low-tuition public colleges. Arguments on such issues are now historic, since the policy of the Nixon administration directed higher education support to the student rather than to the institution, and that policy remains in force.[4] The temper of today is reflected in the Carnegie Commission's advice: "The highest single priority for federal funding in higher education in the 1970's is to help fulfill the two-century old American dream of social justice. Equality of opportunity . . . increasingly means equality of opportunity to obtain a college education" (February 1972).

Private college partisans, to be sure, have been active in seeking federal help. A bill in 1963, which would award proportional tax credits for college tuition payments, enjoyed the unusual cosponsorship of Senators Ribicoff, Humphrey, Goldwater, and Keating.[5] Similar legislation has appeared in each Congress from the 88th through the 93rd. The effort died each time because of persistent criticisms of "major defects in the capacity of such proposals to provide effective, economical and fairly distributed assistance."[6] A simpler if cruder description has been the opposition's comment: "A rich man's tax break."

By far the largest amount of federal monies have gone to higher education, public and private, in the form of grants or contracts for research development and training, the great bulk of it scientific and technological, from more than a dozen government agencies. Of the 1974 totals (just under $4.5 billion), three-fourths came from H.E.W. and the lion's share of that from the National Institutes of Health. Research universities, especially those with health science centers, dominate the rank order of recipients; yet the majority of all col-

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4 A holdover exception from the Higher Education Act of 1965, Title III, makes available on application funds for small-college program development, notably including programs of cooperation with neighboring institutions.

5 For a full presentation of the issue see R. A. Freeman, "Last Chance to Save Private Colleges" in *Financing Higher Education: Alternatives for the Federal Government*, edited by M. D. Orwig. Iowa City: American College Testing Program, Monograph #5, 1971, p. 201.

6 Analysis by Gary F. Pastorius, research assistant in taxation, Library of Congress, Washington, D. C.

leges in the U.S. have received at least something, even down to the lowest reported figure of $1,000. Twenty-four of the fifty universities receiving the largest totals for all programs are privately controlled. ($82 million for number one down to $22 million for number 50).

Research grants, no matter how great their total, are neither the major issue nor the answer to public aid for the private sector. Universities testify that the greater the grants, the heavier the drain on overall institutional economy.

Since the 1972 Amendments to Title IV of the Higher Education Act of 1965, the general program of federal grants comes under six categories: (1) Basic Educational Opportunity Grants (BEOG); (2) Supplemental Educational Opportunity Grants (SEOG); (3) State Student Incentive Grants (SSIG); (4) National Direct Student Loans (NDSL); (5) College Work-Study (CW-S); and (6) Guaranteed Student Loans (GSL). Another category, cost-of-education supplements to colleges, has not been funded by Congress (Carnegie Council, San Francisco, 1975). These programs have been reviewed in many studies. Mention here is made of SSIG because of its bearing upon state aid policies, which are the major concern of this report.

A word also is in order concerning proposals from private college sponsors for redirecting provisions of the BEOG and the SEOG (Consortium on Financing Higher Education 1975). A part of their proposals is that Basic Opportunity Grants should be used exclusively to meet noninstructional costs and that the ceiling be raised; Special Opportunity Grants, on the other hand, would be channelled to tuition charges to increase student "choice," i.e., to help meet private college fees. Separating the functions of the two programs would achieve more mileage for a student who has to stretch to meet the charges of residential colleges, which now total over $5,000 a year. Earlier sponsors may remind the public, however, that the SEOG originated not as aid to meet high tuitions but as a group of access programs worked out in specific agreements with colleges to channel low-income students into colleges of any type.

Proposals by groups sponsoring private higher education have been made that SSIG's be related solely to tuition and fees and that present restrictions on their use outside the state be removed. (These restrictions vary by state.) The booster effect of the SSIG states has already been significant. After it was enacted, 31 additional states by early 1975 had either created matching scholarship programs or announced plans to do so. Only a handful of states are now without some form of positive answer to the federal scholarship incentive program.

The Carnegie Council on Policy Studies in Higher Education functions as a consultant to the federal government. It is significant that the Council's recent report, subtitled *Unfinished Business, 1975-1980* (1975), lists as Recommendation 8 (in part):

> Federal matching funds should be provided for one-half of the cost of a state tuition equalization grants program, which would provide an average tuition grant of about $750 dollars for all undergraduate students attending private colleges and universities (p. 39).

Effects of the Council's recommendation, if accepted, would be substantial and would, in fact, represent a significant change in national policy. The federal government alone would have set the policy of aiding the private sector on this measure by reducing the tuition gap between public and private colleges in any state that provides matching money. One concern is that a provision might be required for monitoring future private tuition increases.

Federal student assistance programs, even before being plotted alongside the various state programs, have become a thicket with tangled and boggy places. When combined with the range of state and jurisdictional programs (including the District of Columbia, Guam, etc.), the permutations and combinations challenge even the student aid specialists.[7] One may question whether in paying full respect to state freedom and diversity Congress moves us closer to a solid, understandable public policy that will help achieve universal college access in the United States. It seems safe to surmise that the federal government has at least avoided charges of favoritism toward this or that type of college. At present writing even experts who have trekked through the pathways of multiple aid provisions would have difficulty concluding just who ends up ahead or behind. It has been a national aim of the 1960's and 1970's that more Americans who aspire to college opportunity shall be helped to do so. If they are the ones who end up ahead, that may be all that should concern us.

State Aid Policies and Programs

If Congress since 1972 has laid down a complicated set of guidelines for student aid, the states have matched the complexity both in range of programs and in the differences among themselves. What

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[7] Albert Einstein was once asked by a reporter if as a renowned mathematician he understood the current IRS income tax forms. Einstein is said to have replied: "Oh no, that requires a philospher!"

invites policy interpretation are the connections that may be noted between the balance-points of private-public interests in a state and the type of aid program that has emerged. The reviews that follow bring together evidence from those states that have accredited private colleges — in other words, all states except Nevada and Wyoming.

There are countless ways in which a given institution, public or private, might be affected financially by state government action. Much of it could be inadvertent, such as an environmental protection measure that required a small college to rebuild its sewage disposal system in the midst of a deficit year. This report will confine itself to policies and programs designed deliberately to enhance the private sector's capabilities for fulfilling its public-service commitments.

Tax exemption and tax deduction—It has long been public policy for states to exempt from *ad valorem* and other taxes nonprofit educational institutions. Exemptions have been restricted to properties used for educational purposes in the large sense: residence halls, for example, have been exempt, although not without challenge in various states and municipalities. Local suits against higher education's tax-exempt status occur periodically across the country. Thus far, isolated adverse decisions by lower courts have been reversed on appeal, so that basic state policy favoring exemption remains intact.

Obviously, *income tax deductions that motivate charitable giving* are helping to keep private colleges alive; voluntary giving to private higher education supplies about 25 percent of the average college operating budget (AAC-NCICU, 1974). State policies in this regard generally have followed the federal government. The Tax Reform Act of 1969 restricted somewhat the operations of deferred giving plans but left undisturbed and, by certain provisions, strengthened incentives for individual charitable giving. College educators periodically raise their hopes through plans announced for increasing giving incentives, such as the 1972 proposal of Alan Pifer of the Carnegie Corporation for taxpayers to elect a 50 percent tax credit for gifts in lieu of taking the usual deductions. It is plain, however, that state legislatures as well as Congress are not dominated by enthusiasts for rewarding private philanthropy.

State University Actions Helpful to the Private Sector—Since the publication of separate public tuition recommendations by the Carnegie Commission and by the Committee for Economic Development (1973) (see chapter four), a national issue of higher tuitions for the public sector has given impetus to broad state debate. State university tuitions have risen steadily over the past 10 years, the average resident tuition charge being nearly 80 percent above that of 1965-

66. The increase in 1975-76 was a little less than 3 percent (*The Chronicle of Higher Education*, October 28, 1975). Such rises have been much less than private college increases in percentage and the absolute dollar gap between them has seriously widened (chapter one). Moreover, no state legislature has declared that its public universities should increase their charges for the explicit purpose of narrowing the gap between themselves and private education. From a populist point of view, it would seem politically damaging to say so; the issue in Congress, for example, has been roundly scored by Congressman O'Hara.

A second form of indirect yet substantial state university help to the private sector is self-denying ordinances against broadside fund-raising among private sources for public colleges. Such restraints are most carefully practiced by public universities located in states with strong private colleges. Midwest state institutions have had full development staffs for many years. The Universities of Michigan and Wisconsin annually attract between $15 and $20 million each in gifts and grants for multiple operating purposes. The University of California (all branches) each year brings in close to $30 million.

The State University of New York, on the other hand, has not been authorized to employ development officers on its campuses; in fact, no budget lines for campus directors of alumni affairs have yet been approved. In states where the balance of enrollments is less heavy on the public side, the influence of private college fund raising jurisdiction is evident. Even the strong fund-raising state universities espouse policies limiting their solicitation of gifts to their own alumni and immediate business affiliates in response to frequent complaints from nearby private colleges about public college fund raising.

A third state university action helpful to the private sector is in reality a nonaction. Pressing financial problems have prompted legislatures to limit public university growth well ahead of the predicted plateauing of enrollments, even though that phenomenon as yet has shown no sure signs of beginning. Declaring no-growth enrollment cutoffs is part of current state austerity. No-growth in enrollments during an inflationary period means a net loss in financial capability for a public college because appropriations are based upon authorized full-time student totals. Since total enrollments in the U.S. are still rising, this causes more students to attend private colleges, since state colleges are halted in their FTE student allotments and thus are prevented from improving their budget picture. Understandably, tuition aid that enables more students to attend private colleges is not

a pleasant prospect for public institutions that, like the Red Queen, must now run faster to stay where they are.

In New York State a tripling of SUNY's overall enrollment occurred between 1960 and 1975; over 400,000 students (head count) study at some branch of the University network. Repercussions in the private sector have been understandably strong. In October 1975 the SUNY Board of Trustees voted that enrollment size should be frozen on "most state-operated campuses." What made the action significant was the announcement at the same time of a program that included "the preparation of a 1980 growth plan that maintains a stable enrollment ratio between SUNY's state-operated institutions and New York State's private college and universities." As far as is known, no state university has previously publicized a policy to preserve the public-private enrollment balance.

Contracts for Students and Services—Eighteen states have programs that allow them to contract with private colleges and universities for a wide variety of instructional services (not included are research contracts for multiple government purposes that are awarded to a number of public and private professional agencies). In a few states contracts have been granted for undergraduate courses to be offered by nearby private colleges. Decatur Community College in Illinois has a broad course contract arrangement with James Milliken University. In Ohio the state has contracted to offer an entire two-year curriculum at Rio Grande, formerly a four-year independent college.

Perhaps the most dramatic enrollment sharing was precipitated by the current fiscal crisis of the City University of New York. In January 1976, CUNY sent letters to "more than 7,000 entering CUNY freshmen suggesting that they consider enrolling instead at the Brooklyn Campus of Long Island University." Such an arrangement involves no contracts because CUNY funds are not used. It was pointed out in the letter that students might qualify for state and federal tuition grants, which could reduce greatly the net cost of going to LIU, a private university (*New York Times*, January 18, 1976, p. 32). Other proposals have included a voucher system that would permit students to transfer from CUNY to 36 private colleges and universities in metropolitan New York City.

The CUNY example raises the question as to whether public-private cooperation, arising out of necessity, could become the major reason to end effective distinctions between public and private sectors among large urban institutions in the years ahead.

Contracting for undergraduate teaching in private colleges origi-

nated with the need for additional space in the 1960's. But when the total capacity in colleges equals or exceeds demand, contracting for students becomes tied to special and highly desirable private programs rather than to the need for additional space. Communities like Decatur will presumably decide about future public-private collaboration on the basis of what programs and facilities are available at the best price.

Contracting for student spaces in a nearby private college with unfilled capacity will probably occur less often, except in cases that would result in lower public expense. Student contracting in private colleges will probably depend on demand for special assets unavailable at public colleges or available at private colleges at lower public cost. However, cost competition in public and private higher education may not be beneficial to the maintenance of quality or standards. If cost is the sole competitive factor, then proprietary schools would be at a distinct advantage, since cost is their basis of operation.

The offering of contract programs authorized by a city or state is becoming an important aspect of large private urban universities with multiple graduate and professional schools. During the past two years the University of Southern California held 10 instructional contracts from the state, six of them in the School of Medicine, the others being in Gerontology, the School of Education, and the Office of Sea Grants. The USC totals amounted to a half-million dollars. Still, that is small compared with NYU's annual Bundy grant of close to $8 million. The health sciences, and in particular medical schools, are becoming a prime area for professional contracting. For example, in California the so-called Grunsby Bill of 1971, through its Scholarship and Loan Commission, authorized the state to increase medical school capacity by contracting with private institutions. The twin advantages of increasing medical school enrollment and saving the expense of building additional facilities are realized in a field that provides services that are in great demand by the public.

Aid for Facilities and Equipment—Twelve states have made it possible for private colleges to acquire new physical facilities either by special state grants or by extension of state authority to borrow through the sale of public bonds. Most cases have concerned academic buildings; in a few states, such as New York, residence halls in private colleges have been built by bonds issued under a Dormitory Authority. In addition, a small number of states have allowed private institutions to purchase educational equipment and supplies under state contract, a practice that realizes sizable cash discounts.

Programs of Student Financial Aid—The case for state aid to privately controlled higher education has been carried mainly by a range of programs that offer in-state students financial assistance to facilitate their choice between attending a public or a private college. In all sections of the country legislatures have encouraged the idea of preserving the dual system by giving money directly to the students and letting them "vote with their feet." A number of student aid bills have been enacted that nudge the student toward the private college. In some cases this reflects a reaction to the condition of the late 1960's, when many private colleges had empty spaces while state institutions were oversubscribed.

The current status of state programs changes monthly. Legislatures in 50 capitals have been meeting on hundreds of bills and amendments. What can be done here is to present the range of programs reported by state and independent agencies with a focus on some of the policy issues involved.[8] Difficulties are increased by lack of standard nomenclature. A scholarship in one state means a competitive award granted on merit; in another state it may refer primarily to grants on the basis of need; or scholarship may refer either to a general stipend or to aid for tuition alone. Tuition equalization grants go to students attending private colleges, but tuition aid grants (or something with a similar name) go to either private or public colleges on the basis of a wide range of criteria. What follows will be presented according to classifications of "State Scholarship Programs," as summarized in *The Chronicle of Higher Education* of November 17, 1975.

Most states have some financial aid provision for their private college enrollees, exceptions being Alabama, Colorado, Hawaii, Montana, Nebraska, New Hampshire, New Mexico, and Utah (Nevada and Wyoming are without accredited private colleges). The most common aid is a state scholarship awarded on the basis of merit and need and applicable to either public or private institutions. Other kinds of aid programs, typically called Tuition Equalization Grants, are available at private colleges. They usually total less than $1,000 and are based on the difference between the private and state tuition, whichever is smaller. State scholarships going to either sector reach a peak usually of not more than $1,000 per student,

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[8] To canvass the government and private arena in 1975-76, central higher education agencies were contacted in each of the 50 states; the replies were collated against current reports from the Education Commission of the States, the National Association of State Scholarship Programs, and the National Council of Independent Colleges and Universities.

except for such high private-tuition states as New York, Pennsylvania, and California (the highest at $2,500). Currently, South Carolina alone provides some form of student aid for private college attendance only. Numerous states provide student loans in either college sector on the basis of various provisions and repayment guarantees.

Have state scholarship programs achieved the purpose of distributing enrollments more equitably to private institutions? Where studies have been made, the evidence is positive (Boyd and Fenske 1975; Fife 1975; Leslie and Fife 1974). For example, in South Carolina 37 percent of the 13,000 in-state students attending private colleges were assisted through the Tuition Grant Program (1974-75). Eighty-one percent of the recipients came from families with an income less than $14,000; nearly 2,000 students indicated that they would have been unable to attend any college without the grants (South Carolina Tuition Grants Committee 1975).

Private college sponsors take pains to point out that State scholarship programs have been a major help to the colleges as well. The issue becomes sensitive when scholarships are awarded only to the small percentage of high school graduates at the top of the academic ladder. In California, when the scholarship program began in 1956, seven of the ten institutions attracting the greatest number of scholarship winners were private; 12 years later the situation was reversed. The difference apparently is due to the interim growth of new campuses at the University of California. In the current year the University of Southern California (private) has the greatest number of state scholarship holders. Strong liberal arts colleges, such as Pomona and Occidental, along with the small private universities, have dropped from the top ten. According to Fred Nelson (1973) the rising new branches of the University of California—San Diego, Santa Cruz and Irvine, in particular—have accounted for much of the displacement in rankings in terms of where most state scholarship recipients enroll.

Closing words on state student aid might be addressed to graduate and professional education. New York and California, as major centers of academic graduate study, have specific fellowships equal to public graduate tuition fees or higher that are available to students in private graduate schools. Other states providing tuition aid grants of lower denomination, available to graduate as well as undergraduate students, include Connecticut, Delaware, New Jersey, and Texas (Boyd 1975). The National Defense Education Act of 1958 established a pattern of federal responsibility for graduate education;

and although grants and student stipends from such Washington sources as NSF, NIH, and NASA have fallen since 1965, the prevailing sentiment among doctoral granting institutions is that graduate education should be a federal responsibility. In private professional schools, principally in the health sciences, several states provide student scholarships and loans. Beyond this, a number of states contract with private schools of medicine, dentistry, and nursing to expand their enrollment of in-state students.

In the total picture of private professional education costs, fellowship aid is less significant in meeting general financial commitments than large operating and capital funds granted by states to private health science centers. One of the current private-public debates attracting national attention is taking place in Massachusetts, where the president of Boston University has challenged the state's economic wisdom of building a large health science center rather than funding the expansion of established private university medical centers.

Direct Institutional Aid—The payment of funds directly to the institution rather than to the student has focused the controversy on state aid to private higher education most sharply. Proponents of direct aid to private colleges have had most success where it can be interpreted as a contract to educate additional in-state students (thus saving state outlays for full instruction costs), rather than as unrestricted budgetary aid. There is a thin line of difference between cost-of-education grants to colleges, as tied to the number of additionally enrolled students, and contract payments for the tuition charges themselves. The latter amounts essentially to a tuition-aid grant paid to the college instead of the student, a policy that dates back to the World War II G.I. Bill of Rights. If the state, on the other hand, is willing to go beyond whatever tuition aid students are receiving either directly or indirectly, then the so-called "contract" represents money to the colleges over and above tuition fees and represents bona fide additional financial help. Confusion over the term "contract"—that is, whether it represents tuition payments or additional cost-of-education grants—is typical of the national muddle we are in over the intricacies of the public-private funding question.

Ten states have programs to aid private colleges beyond tuition or categorical purposes. Five of the ten have resorted to contracts based on FTE enrollment of in-state students (Connecticut, Minnesota, Oregon, New Jersey, and Pennsylvania). Three of these five base the count on needy students receiving aid; two

recognize the principle of the college accepting additional state students as a warrant for state subsidy. The remaining five states award grants to colleges on various capitation bases that involve counting additional students or scholarship recipients (Illinois, Louisiana, Maryland, Michigan, and New York). FTE enrollment is the simplest formula. Michigan and New York, however, base aid grants on the number of degrees conferred at various levels.

Direct state grants, whether or not they are euphemistically called "contracts," mean additional money that helps private colleges balance their operating budgets. This money could be used to meet faculty salary increases or soaring fuel bills. In states with modest direct-grant programs, numerous colleges received a greater sum of unrestricted state aid in one year than the total amount of annual gifts from private donors in one year. The direct aid program is most vulnerable to criticism from the taxpayer who believes that if a college is to be independently controlled, it can't at the same time expect the state to help balance its financial operations. Only 10 of the 50 states have strong enough private college support to vote through direct aid programs.

The direct aid issue historically relates to separation of Church and State.[9] With modern secularization it is now a matter of outright debate over public policy and educational philosophy. Is the private college now considered a public institution under special conditions of nonpublic control?

New York State was the first to break through barriers against direct public aid to private institutions. The Commission on Independent Colleges and Universities (CICU) is located a block away from the State Education Department and the state capitol in Albany. It makes its reports and requests directly to the Higher Education Committee of the Board of Regents, and its studies are used by state agencies. More basic than the effectiveness of the CICU is the mission of the Regents as stewards of the entire public and private higher education enterprise. Their national influence has been so manifest in matters of public and private college relationships that this chapter ends with a brief review of state support of the 138 accredited private

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[9] The church-state issue of public aid to private education is not reviewed in this report, since ample court precedent has established that private colleges not actually under denominational control do not violate the First Amendment by accepting public aid. Key decisions include Tilton v. Richardson (Connecticut), Lemon v. Kurtzman (Pennsylvania and Rhode Island), and similar cases in Kansas and Maryland. Substantial doubt remains whether direct institutional grants might not bring court tests in several states where they have been discussed, e.g., California.

institutions of higher learning in New York as it developed from colonial times to the present.

Direct Institutional Aid in New York State—The two most populous states, New York and California, contain a large number of private colleges and universities of national renown. As the stature of the colleges has grown, their commitments and financial problems have increased. In California the leading private institutions have imposed higher tuition fees, have undertaken very large fund-raising programs, have obtained research and training grants and contracts for services, and have a state scholarship program to help their best in-state students bridge the large tuition gap separating state and private universities and colleges. In New York, the leading private institutions have even higher tuition fees, have built up large endowments over the decades, do fund-raising at a somewhat lower level, have obtained research and training grants, have a state tuition assistance program scaled to need, as well as a system of state student incentive grants; and have a state program of direct institutional aid (The Bundy Program) based on an annual per-graduate formula.

Recent personal interviews with private higher education officials in both states have brought predictions that the respective forms of state aid to the private sector will remain the same in both states: scholarships and contracting for services in California; tuition assistance programs and direct institutional grants in New York. Spokesmen in neither state are sanguine that yields will stave off deficits. The California private sector seeks greater scholarship aid and contract awards. The New York private sector seeks higher tuition assistance ceilings, cost-of-inflation increases in Bundy Aid, and a four-year escalation of direct grants to the point where private institutions are receiving "funding equal to 35% for each student enrolled in that sector of the net per student funding that is provided for each student enrolled in the State University" (CICU, September 1975).

Regardless of present prospects for the hope chests in either state, the much higher order of private college requests in New York State than in California reflects the respective histories of two communities that grew into statehood in different parts of the country.

From the beginning the New York Legislature gave periodic benevolences to its colleges at a greater rate than most states. There were no public colleges until 1844, when the precursor of SUNY at Albany was founded as a Normal School (Scudiere 1975). By that time the state had 60 years of its unique French system, by which all education became part of the University of the State of New

York, referred to as the Board of Regents. The Regents have assumed ultimate responsibility for all education. In such a system, a base has existed since 1784 for the State of New York to supervise not only the programs but the finances of all institutions to the extent the Regents believe wise and effectual, with legislative approval.

Grants of land in the early 1800's first went into a conveyance directed by the Regents known as the Literature Fund, which was later augmented by a larger instrument, the U. S. Deposit Fund. Out of the fund came annual appropriations to support education. The earliest colleges, Columbia and Union, were liberally represented by alumni in the legislature, and soon after 1800 were granted land parcels outright rather than through the Fund. This was followed by periodic cash grants and loans. Then Hamilton College joined the beneficiaries, followed by the College of Physicians and Surgeons (not then part of Columbia). After 1850 the state's largess to colleges declined. Rochester and Elmira received $50,000 and $25,000, respectively, before the growth of public free schools and the founding of Cornell, under the impetus of the Morrill Land-Grant Act, ushered in a new era. With the creation of the State Education Department in 1905 the colleges were viewed with more detachment. In 1913 Education Commissioner Draper's dream for the state was realized just four days before his death by the signing of the Regents Scholarship Bill. Draper's successor made a famous prophecy: "It will forever set at rest the question of a State University for New York and at the same time provide for the people of the State all the benefits of a State University on a liberal basis and at a minimal cost" (New York State Education Department, *Annual Report,* 1972).

In 1959 concern for the ability of New York to meet its rising educational demands led to the governor's appointment of the Heald Committee on Higher Education. Among its recommendations, the committee stated: "For the years ahead we propose that the State help to insure the continuance of their effectiveness by augmenting a program of direct aid to private colleges and universities" (November 1960). The aid proposed was to be on a per capita basis by degrees awarded, the amount to vary with the degree level.

In 1968 McGeorge Bundy rendered the report of the Select Committe on the Future of Private and Independent Higher Education in New York to Governor Rockefeller. The essential recommendation is well known: a general state aid program to the private colleges following the model proposed by the earlier Heald Committee. Among other predictions it foresaw a possible combined annual pri-

vate institution deficit by 1970-71 of $20 to $25 million unless an aid program was enacted. However, a year before that predicted date the combined deficits turned out to be almost exactly $35 million—one year after the Bundy Aid program had gone into effect. Moreover, the $35 million comprised the deficits only of the 57 Bundy-aided institutions.

The Legislature's response to the Bundy report illustrates the forward thrust of a strong governor. Bundy transmitted his report in January. On March 12 a public hearing was held by the Joint Legislative Committee on Higher Education. Mild opposition was raised by a religious liberty group and by an official of the Public Education Association. The Committee questioned at length only the legalities of the church-state issue raised by the New York State Constitution, and concluded, "we are convinced that in the field of higher learning the rigorous prohibition of the present New York State Constitution is unwise" (Legislative Document #23, 1968). Justice Frankfurter's U. S. Supreme Court opinion in the Maryland private college case was cited as precedent. The Committee forestalled any final action until the constitutional question could be resolved. But the executive machinery was not slowed down. The Bundy Aid Bill was voted by the Legislature May 13, 1968, and on June 16 was signed into law by the governor, who dedicated the Act to "helping to maintain the free market of ideas." To satisfy the constitutional issue, a screening commission was set up under the Regents to search each private institution's character and catalog for any restrictive religious clause or practice. Fifty-seven institutions were certified to be free of religious restrictions, with the number of eligibles in later years growing to seventy-nine.

The Bundy Aid Bill brought public aid to private colleges on a scale unknown elsewhere. Yet one year after its inception, large operating deficits continued. In May 1973 a Higher Education Omnibus Bill was passed raising stipends from $400, $400, and $2400 for B.A., M.A., and Ph.D., respectively, to $800, $600, and $3000. The total aid to the 79 colleges and universities rose in one year from $31 million to over $54 million. New York University's share rose from just under $5 million to nearly $7.5 million. Still, deficits continue to plague many institutions. Private tuition charges have continued to rise as rapidly in New York State as in states without direct aid programs. The average yearly rise continues to be between 7 and 8 percent. One is compelled to ask whether formula state aid can do the job anywhere if, after measures such as in New York, the private colleges are still falling behind.

In September 1975, the New York State Education Report (known as the Pusey report, after its chairman) recommended "new State policy" addressed to aid institutions either in temporary or in long-term financial distress. The report does not always clearly distinguish between private and public colleges in its findings; however, it consistently presents an image of the small liberal arts college struggling to maintain itself against both the economics of the times and the price competition of the low-tuition colleges. SUNY-Buffalo president Robert Ketter, writing as a member of the commission, observed that "the State has in fact decreased its financing of public institutions—and there is reason to question whether or not it has the capacity to provide further aid to the privates" (1975).

New York State brings together a vortex of dilemmas confronting other states that must make priority decisions for the future of post-secondary systems. New York State's earlier history has been one of minimal investment in public higher education. Since World War II the change has been dramatically upward. As always there are a baffling number of ways to measure effort against capability.[10] In 1974-75 New York appropriated $1.17 billion for higher education in both sectors, second only to California; that was $63.50 per capita, or 22 percent above the national average. Compared against total personal income, New York's payments for public and private higher education in 1971-72 were slightly above the average of the other states. Four years before, its percentage of per capita income spent on public higher education alone had placed it 40th among the states. It is safe to conclude that the rank has improved in the eight intervening years: New York funding for all payments to higher education in 1975-76 exceeds 11 percent of its total budget, and SUNY's share, until this present year, had been rising.

Out of the thicket of statistics and reports one cannot conclude much beyond what is generally known. Satisfaction can be drawn from the continuing percentage of high school graduates going to college; in New York in 1974 it was 6.6 percent, and it will probably go up in 1975. Still, costs of college keep rising in a proportion greater than the continuing rise in enrollments.

A continuing problem relates to the appropriate elements of the fair cost of a good education for undergraduates. Graduate education and research ran away with unit costs in the 1960's. Beyond that a

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10 Statistics in this section are drawn from the New York State Education Department (Assistant Commissioner for Postsecondary Planning Services); from the H.E.W.'s National Center for Education Statistics; and from the Carnegie Commission's *The Capitol and the Campus*, 1971.

better understanding is needed of what concrete contributions are made by maintaining a dual system of college support and control. How vital is the dual system to the combined aims of maximizing college opportunity, offering diversity, and paying the total public bill? New York State provides a proving ground for educational policy questions that must be answered at a level more basic than political accommodation.

The Private College Case

Whatever else may be said, the 1,500 institutions of higher learning listed under private control in the United States intend to stay alive and most of them prefer to remain private. But decisions will be made on the fate of many of these institutions, and the higher education community is not unanimous that private colleges should survive. As competition for public money becomes keener, the debate within higher education will take on a sharper focus, and less surface diplomacy will occur. As Muller, president of Johns Hopkins, expressed it, "I regret that the institutions of American higher education are so much set one against another at a time when we have problems that we ought to address in common" (1975) A few months after making this statement, Muller was elected chairman of the new National Association of Independent Colleges and Universities. No doubt he will have to confront the November 1975 resolution of the American Association of State Colleges and Universities, which *inter alia* maintains that, "no federal or state aid program to the private or proprietary sector should be at the expense of public college students, either in terms of reduced appropriations for the public sector or increased tuition charges for public students."[1] (American Association of State Colleges and Universities, 1975). After decades of Senatorial courtesy in higher education circles the new face-off between public and private college agencies contrasts sharply with the formal agreement reached in early 1974 by the Board of Directors of the American Council on Education. The key sentence in the agreement reads: "The Council believes that private education should support low public tuition and public education should encourage the use of public funds for the assistance of private education" (American Council on Education 1974).

The private sector of higher education has practiced what development officers call the "case statement" before its particular clienteles. In other words, the case must now go before a taxpaying public that already is downgrading higher education support. The private college case appears to fall within four general areas, each of which has its

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1 Compare that statement with the recent comment in a letter to the author from a state university president regarding aid to the private sector: "On so many issues presidents have strong convictions that they dare not address publicly. This is such an issue."

counter-arguments: cultural history; public service; content of education; and education and freedom. The areas overlap, since a college is an interconnected enterprise for human development and not a retail store. Its product is not college degrees, but human individuals who by active participation in the educative process help determine the effectiveness of the process. Study of the private college support issue may extricate educational thought from the consumer-commodity trough into which it was inadvertently delivered by such studies as the first Newman Report (1971), the Carnegie Commission's *Higher Education: Who Benefits? Who Pays? Who Should Pay?* (1973), and the Commission on Economic Development's *The Management and Financing of Colleges* (1973).

Arguments for Private Higher Education

1. *Private colleges should be supported as a basic part of the American tradition of higher education*—Few persons argue for preserving private colleges "because they are there." Free enterprise doctrine requires some projects to fail. In some communities private colleges have failed when it proved impossible for a college to merge or to go public; however, the college plant and facilities are still convertible to other uses. It should be emphasized that during the past five years many more private colleges have been founded than have foundered.

The spirit of traditionalism to which the private church-founded college clings dates to early America, to a time when it was the only college: this college, in one form or another, has endured as a dynamic force in U. S. higher education for three centuries.

Private colleges in the Northeast, with a monopoly of bright young men from good families, set a pattern of achievement and status that, although less culturally elite than Oxbridge before the World Wars, still dominates U.S. thinking about what college should be like. Ivy League has become a generic term for a high-tuition, private liberal arts college in any part of the country.

This report has referred to five classifications of "private college": major research universities, comprehensive universities, selective liberal arts, less-selective liberal arts, and private two-year colleges. Still, the model that guides public discussion of private higher education continues to be the small, exurban community of scholars who prepare bright, affluent young men and women between 18 and 22 for a bachelor's degree in conventional academic subjects to provide what Jencks and Riesman have called the initiation into the upper-middle class. Statistical evidence that the stereotype refers only to approxi-

mately one-third of all students enrolled in private higher education changes the discussion very little. It seems to be the lot of private educators of whatever type of institution to have their case carried by virtue of being small, residential, having tweedy professors who commune with students on undergraduate liberal arts subjects, and having a lingering overtone of religion. In fairness, they could do worse.

The high academic contribution of the private college tends to be accepted as an article of faith by persons who produce national commission reports on higher education's needs. For example:

> The [Carnegie] Commission believes that there is continued need for a strong private sector in American higher education. The presence of the private sector extends diversity, provides a valuable dimension for developing quality, aids in protecting autonomy for all higher education and fosters the type of institution which gives individual treatment to individual students (The Capitol and the Campus 1971, p. 66).

Similar statements appear in later Carnegie publications and are reinforced in the Carnegie Council's *The Federal Role in Postsecondary Education* (1975). The snowballing effect of such assertions is illustrated by a brief statement in a recent report by a Twentieth Century Fund Task Force (*Funds for the Future*, 1975): "A large number of authoritative studies have documented the contributions of private institutions to higher education . . . which remain unique sources of academic strength" (p. 5). Whether or not any authoritative studies have ever reliably separated the achievements of private colleges from their good fortune in attracting students of high native ability, academic preparation, cultural advantages, and solid postgraduate connections remains one of the nature-nurture questions in education that seldom end. That notwithstanding, our country has a tradition of highly regarded private colleges which have sent thousands of graduates into every kind of leading accomplishment.

The perpetuation of private colleges in the American system is urged not out of illusions that they should or could do the full job. No one can deny a primary place in educational history to the American public school and to the great state university systems—serving every level of society in every conceivable way—that rose in the decades following the Morrill Land-Grant Act of 1862. Private college sponsors are among the first to agree. The place claimed for private higher education is as the alternative in method and design and as the standard-bearer of a concern for individual human outcomes (Reinert 1972).

In the present climate of competition for the scarce educational dollar there is varying tolerance for the private college's claim to be standard-bearer of human concern. One of the sharpest rejoinders is, if you are so good, why are you asking for help? Answers vary, from Lawrence Kimpton's (University of Chicago) lament about competing with a company just up the street that is giving the product away, to detailed studies by Jenny and Wynn, William Bowen, Jellema, Cheit, Cartter, Howard Bowen, and others. These show in various ways how college education as an example of labor-intensive industry has become too dear for most of the market.

Private education basically is asking for student tuition aid (AAC-NCICU, 1975). Cost-of-education overlays on top of tuition grants are second in priority, with direct institutional grants last.

2. *Private colleges should be supported because they now perform a public mission*—In simple declarative style, reminiscent of Robert Hutchins, President Silber of Boston University began an *Atlantic Monthly* article, "There is no such thing as a private college or university" (1975). His argument focuses on the public mission of the modern nonpublic university, and on its case for public student tuition aid and other forms of *quid pro quo* support. The article and the considerable response it stirred sharpened questions about whether such terms as public, private, or, as Silber prefers, independent, have operational meaning in higher education today. The Silber approach to university public mission may or may not brush by questions of whether private colleges can at the same time maintain unique missions, such as services to affiliated denominations (750 private institutions still have them); particular cultural clienteles, for example, Berea's Appalachian student body; attention to out-of-state students, especially high-cost doctoral candidates; or an academically highly select student body. The last item is a particularly sore point with public colleges, especially when students receive state-aid to attend selective private colleges coupled with suggestions that "the public-private tuition gap should be narrowed."

Arguments for saving state money by helping more students attend private colleges are often confused with arguments for increasing tuition at public colleges so students pay a larger share of the cost of their education. While the net effects are similar, they have not usually come from the same sources. Private college presidents invite criticism when they propose higher public tuition fees. In 1971 a delegation of New York private university presidents found such a proposal rather unpopular and promptly withdrew it. Private college advocacy for

tuition equalization grants, on the other hand, has been generally well received.

The most potent thrusts for a greater share in bearing public college costs came in 1973 from the Carnegie Commission—"about one-third of the costs as a general rule"; and from the Council for Economic Development—"an increase in tuition and fees where they approximate 50% of instructional costs . . . within the next five years" (1973, p. 25). The proposals were greeted in the public sector with dismay. They were challenged by numerous spokesmen. Russell Thackrey questioned a long list of assumptions that formed the basis for both Carnegie and CED computations. Two-year college students, who pay little or no tuition, had been included in figures used to draw conclusions about four-year student payments. Also, large components entered into totals for Educational and General expense were found unrelated to actual costs of student instruction (Thackrey 1975).

The controversy about how much public college students should pay points to increasing uncertainty about public versus private missions in higher education. If, as claimed by private sponsors, the state can save overall appropriations and do no damage to the public sector when it helps more students go to private colleges,[2] why not give up public systems altogether and save even more? A historic answer has been that without the state college movement, U.S. higher education, with its 10 million students, would never have grown to become a marvel of the modern world. What the state university continues to do for the nation is just as much an article of faith as the belief in the role of the private liberal arts college. But, obviously, it is more. The massive versatility of state university service to the national economy removes from rational consideration any idea that it should falter, much less be replaced. The ethos of the public university as an instrument of democracy is a topic that many writers, from Charles Van Hise to Fred Harrington, have addressed (e.g., Nevins 1962).

The problem is that extension of the argument for the private university, *pro bono publico,* leads ultimately to a curious bankruptcy of distinctions. If state universities are here to stay, and if private universities are asking for help on the grounds that they can do the public job more economically, then perhaps the answer would be to combine one public university system with fairly high tuition

[2] This assertion was referred to two leading higher education economists, Howard Bowen and Peggy Heim. Each expressed reservations and pointed to numerous complications involved in pinning down answers.

and liberal scholarships for the needy. However, public college spokesmen would demur on the grounds of nonpublic college "distinctiveness," which Silber and other private college spokesmen have cited. Another case for the private college can be made.

3. *Private colleges offer a wealth of educational options that enrich the range of resources available to the American student*—It has already been said that tuition equalization grants gained favor among the states because they widened student choice at less financial penalty to the student. This argument has been advanced vigorously when enrollment projections for the 1980's showed that unfilled spaces among private colleges could become a critical problem. This is no case of *pro bono publico* in terms of capacity or money savings to the state. Instead it becomes a matter of comparative quality of education. The sooner this can be discussed frankly, the sooner public policy for higher education will be served.

A factor that nullifies the public-versus-private quality debate is the disparity among types of both public and private colleges. The Carnegie Commission classifications of these types may be regrouped for our purposes as: (1) Research universities, I and II; (2) other doctarol-granting universities, I and II; (3) comprehensive colleges, I and II; (4) liberal arts colleges, I and II; and (5) two-year institutions.

It would scarcely be diplomatic to refer to the list as a pecking order. In terms of students, patrons, neighbors, or area legislators, any one institution might be preferred to any other. In terms of the academic establishment, as led by the strongest graduate schools, the list is considered to be in precise pecking order.

This classification of private colleges can be applied to public institutions as well, except that a public liberal arts college is seldom identified as such.[3] When a student wishes to have a "choice at minimum penalty" between a public and a private college it makes a difference what classification of college is involved. For whatever it may imply, there is a steady gradient in per-student costs as one moves up the classification from two-year institutions through liberal arts colleges to comprehensive colleges and then universities (I and II). The exception is liberal arts colleges I, selective, high-cost places, whose per-student costs may run higher than average costs at all other institutions except research universities.

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[3] Harpur College in southern New York was created to be a state liberal arts college but in 1965 was incorporated into the State University at Binghamton.

A policy question only slightly addressed is whether tuition equalization grants should be available to any student to go to whatever class and price of private institution he chooses, which would enable him to receive a maximum state grant. Is this to be governed by the decision of the private college admissions office? If so, then the state commits itself to a private college directed policy for deciding the size of state grants to the student. Some will argue that the slower or less well-prepared student should have the benefit of the private college giving the costliest instruction, which typically involves the highest teacher-per-pupil ratio. The past decade of college opportunity programs for the disadvantaged has seen the idea of relative educational need enter the sanctums of private college meritocracy. A major thrust of Astin's research since 1970 is to challenge the validity of selective college claims that only the best students in terms of SAT scores and high school averages can profit from education on the selective college campus. The relationship of need to merit is far from resolved. Argument to date concerning state distribution of BEOG's, SEOG's, SSIG's, and other aid programs has centered on student financial need rather than on presumed educability. Sooner or later colleges will move from the present preoccupation with body-count and again ask what a particular person stands to gain from what a particular college has to offer in the way of personal growth.

In the large, urban, private university emphasis is placed on versatile professional programs, often supported by regional industries; upon attracting outstanding professors "who prefer to teach in a private university"; upon component schools and colleges that, although large in aggregate, may individually be smaller than public university college units; upon various supported institutional traditions; upon flexibility and speed in new program-building; and upon administrative policies that lay claim to personal accessibility and a spirit of antibureaucracy, despite the university's size.

Quick response to student markets is the cornerstone of the comprehensive college or university. These are the private colleges most responsive to educational consumerism. A leading consumer spokesman, former U. S. Commissioner of Education T. H. Bell, stated at a meeting of the Council of Small Private Colleges (1975), "We need to liberalize vocational education and vocationalize liberal education." Still, the large, urban, private institutions are in a better position than the small college to follow his dictum. The risk is twofold: first, the public colleges, often next door, can offer the same programs at lower cost; second, they must live with a faculty divided

between curricular pragmatists and those who believe the road to salvation for the private college means a return to the liberal arts.

It is the liberal arts college that for most people epitomizes private higher education, not because of its numerical superiority but because it is the American prototype. Its strongest members have little to fear for the long-range future. As one private college spokesmen recently stated, a reduction in enrollment to afford greater managability and presumably even higher quality not only might improve the product, but actually cost less (Ramsden 1975).

The weakness of the liberal arts college position is that its programs as seen by many citizens are geared to the wealthy, who either do not need a marketable skill or who have the money and time to train for a graduate profession. The less selective liberal arts colleges watch public reaction with growing anxiety as further tuition increases damage their appeal. The liberal arts college has two primary strengths. First, in the public mind it is associated with upper-middle-class status, even though it may be a small, struggling, church-related college on the Great Plains. Second, because of its traditional and necessary reliance upon itself, it carries more than its share of the American mystique of "freedom." (How that doctrine is applied to the private college is taken up in item 4.)

Identification of private higher education with the liberal arts tradition—which is conventional wisdom as voiced by national commissions—is rooted more in rhetoric than in reality. In a speech used as the concluding comment of the Carnegie Commission on Higher Education, Alan Pifer wonders "whether the Commission has fully come to grips with . . . the content of undergraduate education and, within that, what many regard as the disaster area of liberal education" (Carnegie *Final Report*, 1973, p. 216). If liberal education is a disaster area, then our liberal arts colleges are being supported more by faith than by fact. They would do well to set about a task once posed by Winston Manning at a College Entrance Examination Board Colloquium (1971):

> Are there colleges that foster personal and individual growth more effectively for some of their students than for others? Presumably there are, but the data are hard to find. Is it too much to ask that colleges and universities discover what they are doing well, and for whom, and that this information be available to students and others who need to know?

4. *Private colleges offer for the benefit both of themselves and of public institutions an alternative to public control of all of higher education.* This argument has been phrased in countless ways, both

by private college presidents seeking to stay abreast of public colleges in their states, and by legislators in extension of their own fears about federal takeover. Howard Bowen has summed up the matter well: "Liberal arts colleges, with their emphasis on development of the whole person and on freedom of the mind and spirit, provide a significant link with the traditions of democracy" (*Change*, Summer 1975).

The early liberal arts campuses certainly were not always paradigms of freedom. During our century, perhaps the only involuntary act recorded by Nicholas Murray Butler, celebrated president of Columbia University, came when his imperious policies precipitated the founding of the American Association of University Professors by such unimpaired spirits as John Dewey and James McKeen Cattell.

Still, the right that private colleges hold to play out their own destiny has rallied support when it was needed. At the time of this writing, Wabash College has scheduled a national conference on Independence in Higher Education. Featured articles in a recent issue of *Change* magazine are an editorial on "Will Government Patronage Kill the Universities?" and Cheit's "What Price Accountability?" (Winter 1975).

How will the "independent" colleges juggle that term even as they move closer to Washington? Muller, the first chairman of the NAICU, whose avowed purpose is to seek increased federal support, has previously said of his constituency:

> One of the great virtues of private institutions is that their governance is independent, or private. Private institutions continue to serve a vital role in higher education in this country . . . a check and a balance to a sometimes overwhelming governmental pressure in the governance of public higher education (*Financing Higher Education* 1975).

In the same document, Russell Thackrey, longtime public-college spokesman, agrees to this extent: "I believe federal aid is a better answer than greatly increased state support." Yet he has since observed that those legislators who voted against direct institutional aid in the Amendments of 1972, because aid to students would leave college freer from control, have been witness to "the greatest amount of interference in higher education I have seen since I first came to Washington."[4]

Others believe the states, not Washington, are safer partners in aid to the private college. In California long-standing sentiment

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[4] Personal letter to author, November 1975.

against direct institutional grants is partly based on the idea that aid to students and "limited contracts" are safer routes (Topping 1961). The Bundy Program in New York State was conceived with the idea that institutional freedoms must be left unimpaired. Continuing private college deficits and soaring tuition charges, despite rising subsidies from the largest direct state aid grant program in the nation, helped bring in the Pusey Commission in 1975. The Commission's report to the Governor and the Regents, with a dissent from the only State University Commission member, recommended greater aid measures for colleges and universities. The report's emphasis is clearly on the needs of the private sector. Where this may lead seems an academic question in the present year because of New York State's extreme fiscal austerity. A long-range trend was catechised five years ago by Berdahl:

> The extent of state control should be proportionate to the amount and type of state aid rendered; if such aid is modest and indirect, intervention should be minimal. But if the state grants substantial sums directly to its private institutions, state controls must inevitably be rather elaborate (1971, p. 249).

A private college president has recently written, in confirmation of Berdahl's prediction: "Thirty separate items are required, plus occasional additional requests which are sent as separate memos. If a report is not in place at the proper time, Bundy checks are held up—without inquiry, warning or explanation."

To what extent can the private institution accept aid from tax revenues and stay independent? What are the minimum requirements for basic freedom in an institution of learning? Oxford and Cambridge, like the other 46 universities of Great Britain, operate on five-year block grants from the national University Grants Committee. Still, they have their separately endowed colleges and an 800-year tradition of self-governance. Ten years ago, at a conference in University College, Oxford, it was asked what the Oxbridge college considered to be the essentials of independence. To paraphrase the reply: Three things: the right to admit our own students; to appoint our own faculty; and to decide our own courses of study (The Claremont Colleges 1966). It might be useful occasionally to ask how our own public and private colleges are faring in similar respects as the provisions for state and federal aid manifest themselves.

The private college case has been stated in many ways and in this report was grouped under four headings. The fourth, education dedicated to freedom, usually generates the greatest emotion. Without

specific reference it can be the most gaseous and least useful. The case for institutional freedom could serve as a daily guide for accountability as well by using it as the reason why a college should be free to carry on its own business as it sees fit. If colleges retain rights to admit, hire, and teach as they determine, what results can be obtained to contribute to higher education in the state?

There is a public counterpart in the matter of institutional freedom. Private colleges are getting state aid with the understanding that their essential autonomy will be respected. Presumably this has to do with their preservation as strong centers of learning. This suggests a connection exists between educational quality and institutional self-determination. What about the public colleges? Throughout the discussion of aid to their competition, the public colleges have not raised objectives when state programs of aid have reinforced private college advantage, such as low student-teacher ratio or greater student selectivity. But if private colleges are subsidized to remain freer and more flexible in operation, the irony becomes apparent. Is it possible that a certain flexibility and self-determination might be built into public college governance as well? It may be that future legislative committees concerned with higher education will take this into account.

Summary and Conclusions

Summary

Four entries from contemporary debate may help redefine the boundaries of the case concerning public aid for the financial relief of private colleges:

- From a national task force of private higher education administrators and laymen: "The Task Force urges increased public support of private institutions by means that preserve their independence and the diversity that serves the public interest" (Twentieth Century Fund 1975).
- From the task force of a national group representing independent higher education: "The private sector of higher education is enormously valuable to American society and is an influential component of the public sector. Policy-makers in both state and federal governments should give increasing attention to preserving and strengthening private higher education" (AAC-NCICU 1974).
- From the head of a large state university system, also a member of the recent National Commission on Financing Postsecondary Education: "Direct institutional grants to private institutions should be seriously considered by the several states. The method of providing such direct aid to private institutions, while varying from state to state, should, nonetheless, be linked to the performance of specifically identified public missions" (Boyer 1973).
- From the executive of a national association of public colleges and universities: "Private colleges must not jeopardize their independence by seeking tax support for general operating purposes. Once private colleges accept state funds, they accept a measure of accountability, blurring the distinction between public and private colleges, and eliminating diversity in higher education" (Ostar 1973).

If our year were not 1976 but 15 years earlier, conclusions from the available evidence would be reasonably straightforward. Consider that in 1961 we might have responded in the following manner:

- A nation committed to excellence requires maximum capabilities of its colleges and universities.
- Private colleges and universities have traditionally given leadership in the academic excellence that underscores modern civilization.
- The future expansion of higher education enroliments because

of increasing population and national commitment to broadening opportunity dictates the development of maximum resources in both public and private sectors.

- Despite current international concerns, such as the Cold War and recent developments in Vietnam, the United States is wealthy enough to support both a national defense second to none and a build-up of its domestic institutions, especially those which undergird the nation's technological know-how.
- It is in the interest of our country's security as well as of its cultural welfare to provide additional financial resources for the strengthening of private and public institutions to an extent and through means consistent with the maintenance of America's dual system of quality higher education.

Something happened to us on the way from 1961 to 1976. No replay of recent national and world events is needed. But for higher education the current affliction has been diagnosed by the Chancellor of the Ohio Board of Regents: "Public and private institutions of higher education alike are threatened by one malady more than any other—inflation. They face the same problem in the 1980's—a decline in the number of persons in the age group traditionally the college market—and new market demands" (Norton 1976). Norton could have added a more basic item to his diagnosis: a threatened collapse, among various states, of fiscal capacity to meet existing and future public service commitments.

The symptoms call to mind a recent flow of news headlines:

- "36 Colleges in the Metropolitan area propose free admission of 14,000 students now in City University," *New York Times,* November 19, 1975.
- "Governors Pushing Austere Budgets; State Colleges and Universities Affected; Era of Limited Resources Is Forecast, *The Chronicle of Higher Education,* February 9, 1976.
- "Boyer: Budget Hits SUNY Hard," SUNY *News,* February, 1976.
- "Private Colleges in Peril," *New York Times,* February 29, 1976, p. 1.

What we might have concluded 15 years ago about aid to higher education cannot be so now. Our conclusions must look as much to today's headlines as to the data that this report has brought together.

Conclusions

1. The severe and increasing financial troubles of private colleges and universities are matched by financial troubles in the public col-

leges and universities. In both sectors institutions are being required to cut programs and services below standards of adequacy previously held as minimal by higher education as well as those whom it seeks to serve.

2. Chance of an upturn appears unlikely until a reappraisal of our social and economic priorities has been undertaken by the leadership in the states and the nation. Higher education's troubles are paralleled by attrition among public schools, libraries, and other cultural institutions over a broad range. Although public expenditures should improve as the U.S. economic health is restored, it is by no means certain that the prevailing climate will favor this promptly or adequately.

3. In the present circumstances, it is all the more important for private colleges to examine what it is that their organization and operations are achieving in the educational development of the individual, not only among their students but among their surrounding publics and their faculty and staff. Among pertinent items are these:

- How do the liberal arts liberally educate people, including people of average as well as superior academic ability?
- What are the educational outcomes of a high faculty-student ratio? How do other high unit-cost items relate to individual student outcomes?
- Do private college faculty members give more personal attention to students? If so, what differences in outcomes are evident?
- What are the impacts of private college administrative systems and styles on campus ethos?
- What impacts do institutional autonomy and diversified financial support have on a college campus?

4. Private colleges tend to advance beliefs, however tactfully, that dollar for dollar they educate the individual better than public colleges do. They should study themselves to detail those advantages, which then can become subjects for public scrutiny. Private college methods and settings present advantages, but there are things to be learned from public college strengths, especially in the provisions they are making for the instruction of disadvantaged students. A more frank, analytical exchange is needed for the general benefit of higher education.

5. One important part of private college advantage may be its freedom from system constraints, such as strict line-item budgeting and limits on local campus discretion to make personnel and program decisions. As public colleges go along with state aid to the

private sector, they might help themselves and the cause of education by making proposals to the state for greater degrees of decentralized operation for both sectors, to foster a general trend toward performance accountability.

6. It is unproductive to argue whether there is more risk to freedoms in accepting aid from federal sources or from state sources. Freedoms and constraints vary according to the extent of sensible policies, sensible people, and agreement on objectives. In higher education, as in other fields, the best restraint on arbitrary controls can come from a broadly representative coordinating board who cares about the results. It is important that 1202 Commissions and other state coordinating groups include leading members of both private and public colleges and universities. Each sector should be continually engaged in the kind of cooperative plans that will make possible the delivery of good higher education under circumstances the citizen can believe in and be willing to pay for.

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